



STATE OF NEVADA
OFFICE OF THE STATE TREASURER

MERCHANT FEE INFORMATION

Since July 2013, the Nevada State Treasurer's Office (STO) became responsible for oversight and management of the state's contracts for electronic payment acceptance. Electronic payment acceptance includes processing of credit and debit cards and electronic checks. If any agency is considering accepting any of these payments types, this form should be reviewed.

MERCHANT FEES

An important consideration when deciding whether to accept cards or electronic checks as forms of payment is the cost to your agency. Credit card brands, like Visa, MasterCard, American Express and Discover, charge a multitude of merchant fees. Interchange and assessment fees refer to a merchant's cost for accepting a credit card for payment and range from over 1% to over 3% of the total transaction amount or total transaction volume. Merchant fees are based on the merchant's industry type, the type of card, the method used to process the payment, the amount of the transaction and other related factors.

Following are a few instances that drive these fees:

- Keyed entries and web transactions have higher interchange fees because without the swipe data, there is a greater chance that the transaction may be fraudulent. Additionally, card-present vs. card-not present transactions will yield lower costs.
- Rewards cards have higher interchange fees to fund the rewards programs to cardholders.
- Commercial or business cards have higher interchange fees to fund corporate and purchasing card features, such as rewards, spending controls and detailed reporting.
- PIN-based debit cards for larger transactions will have lower interchange fees because the funds are deducted directly from the cardholder's bank account.

A summary of assessment fees charged by various card brands can be found on the Training and Documents page of STO's website in a document titled, "CC Assessment Fees." These fees are charged in addition to the interchange fees described above and fall outside of the transactional fees the State Treasurer's Office pays for payment gateway services and merchant/agency pays for processing.

For debit cards, there are also various fees associated with the different networks, such as Star, NYCE, Pulse, etc., which are dependent upon whether the transaction was processed as PIN-based or PIN-less, the amount of the transaction and the size of the bank that issued the customer's card.

Ultimately, debit networks charge an interchange fee, which consists of a percentage, a flat, transaction fee and a switch fee to route transaction data through its networks. Legislation passed in 2011, known as the Durbin Amendment, caps debit interchange fees at \$0.22 + 0.05% for any issuing bank with \$10 billion or more in assets. Smaller issuing banks are not restricted by this cap and have fees varying in rates.

CURRENT STATE CONTRACT

Following are typical charges you can expect when accepting electronic payments under the current State of Nevada contract:

Wells Fargo Payment Gateway/CyberSource (gateway for web-based payments)	\$0.065 per transaction *STO pays this fee on behalf of state agencies
Wells Fargo Merchant Services (processor) *not applicable to e-check transactions	\$0.03 +\$0.01 for AVS ¹ per transaction
Credit Card Interchange/Discount Fees	NV state average is ~1.67% on the total transaction amount
Debit Interchange/Network Fees	<u>Average PIN-based debit:</u> <i>Regulated (issuers with 10+billion in assets) =</i> 0.05% + \$0.21 (transaction fee) + \$0.04 (switch fee) <i>Non-regulated =</i> 0.65% + \$0.15 + \$0.04

¹ AVS is Address Verification Service; validates billing address submitted with a payment against the card issuer's database.

TRANSACTION VOLUME/CONVENIENCE FEES

An office's transaction volume is important information to have prior to contacting our office to inquire about electronic payment acceptance. Transaction totals are dependent upon the type of product or service an office provides and the fees charged. An office should calculate average monthly and yearly transaction volume totals and the average transaction amount prior to contacting STO.

Knowing an office's transaction volume totals will also help determine whether that agency or office can absorb the cost of merchant fees or if an office will need to consider charging customers a surcharge fee. Pursuant to NRS 353.1465, the total fees charged by a state entity in a fiscal year must not exceed the total amount of fees charged to the state entity in that same fiscal year.

Additionally, credit card brands (Visa, MasterCard, etc.) have specific guidelines when accepting their card type, especially as it pertains to surcharge fees. Some of the standard requirements are below:

- Merchants/agencies must notify card brands through our vendor (through STO) of their intent to charge a fee at least thirty (30) days prior;
- Merchants may only charge a fee for credit card purchases;
- Merchants must disclose the fee at the point of establishment entry or if online, at the first page that references credit card brands and on the payment receipt.

ADDITIONAL QUESTIONS

For answers to additional questions or concerns regarding electronic payment acceptance fees, please contact the Nevada State Treasurer's Office at (775) 684-5675.